



## 6554.0 - Household Wealth and Wealth Distribution, Australia, 2009-10

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### FEATURE ARTICLE: LOW ECONOMIC RESOURCE HOUSEHOLDS

#### INTRODUCTION

People's material standard of living is reflected in their consumption of goods and services, such as for food, clothing, housing, transport, medical care, leisure activities and so on. Access to economic resources, household income and wealth, is key to understanding people's consumption possibilities. People living in households with low income or low wealth may have low consumption possibilities i.e. have a relatively low material standard of living and be more at risk of experiencing economic hardship.

Most analyses of economic wellbeing are based on income data because it is frequently available. While income is an important determinant of economic wellbeing, wealth is also important. Some people with low current incomes have considerable wealth, allowing them to maintain their consumption of goods and services at levels which would not be possible from their incomes alone.

This article examines the characteristics and economic circumstances of people living in households with low economic resources - low income, low wealth, and both low income and low wealth - using data from the 2009-10 Survey of Income and Housing (SIH) and the 2009-10 Household Expenditure Survey (HES). A comprehensive range of income, expenditure and wealth data were collected in these surveys, from much larger samples than in previous survey cycles.

Since full expenditure data are only available from the HES, the mean expenditure values included in this article are derived from HES data. However the income and net worth levels defining the boundaries of the income and net worth quintiles have been derived using the larger dataset available from the SIH. In this article, household income, expenditure and wealth measures have been equivalised using the same scale, in order to adjust for household size and composition and to maximise the comparability of the measures for the type of analysis undertaken.

#### ECONOMIC WELLBEING

Studies of personal and household economic wellbeing are often concerned with the extent of economic inequality in society and how it is changing over time. The government tax and transfer system redistributes economic resources within the community. The income support system assists those in need to participate more fully in society, both economically and socially. For these reasons, the particular characteristics and economic circumstances of those in greatest need receive significant policy and research attention.

The most extensive studies of economic wellbeing can be conducted when comprehensive data on all dimensions of economic resources (income, expenditure and wealth) are available. The 2009-10 SIH and HES covered all of these dimensions. When the ABS conducts a HES it also undertakes a study of the effects of taxation and government expenditure on the distribution of income among private households in Australia. The net effect of government benefits and taxes is to increase the average income of households in the lower income groups, and decrease the average income of households in the higher income groups. The most comprehensive income measure, final income (equal to disposable income plus government social transfers in kind, less taxes on production and consumption), will become available when the results of the 2009-10 study are released in **Government Benefits, Taxes and Household Income, Australia, 2009-10** (cat. no. 6530.0) in mid 2012.

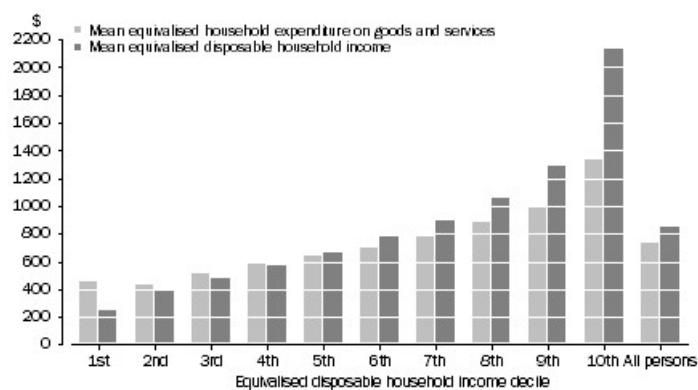
#### HOUSEHOLD INCOME

##### Income and expenditure

The ABS has long advised that some low income households have characteristics that indicate they have a higher standard of living than that implied by their incomes alone. Graph 1 shows that, in 2009-10, people with higher incomes generally had greater expenditures. However, people in the lowest decile of equivalised disposable household income, that is, the lowest 10% when ranked from lowest to highest income, had average equivalised expenditure higher than those in the second income decile.

##### 1. Equivalised weekly income and expenditure, by equivalised disposable household income decile - 2009-10

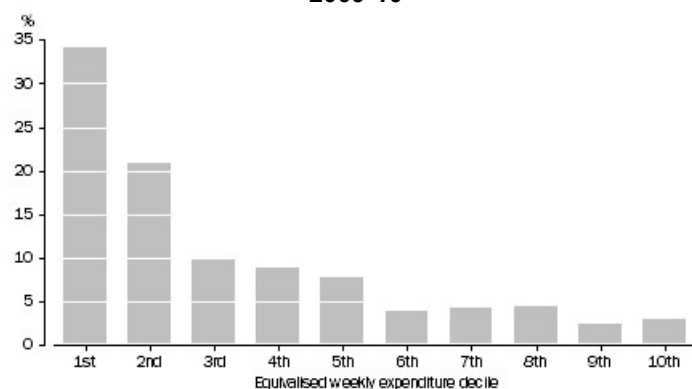




Sources: ABS Survey of Income and Housing; ABS Household Expenditure Survey

Graph 2 shows the distribution of equivalised expenditure for persons in the lowest equivalised disposable household income decile. Whilst a third of persons in the lowest income decile in 2009-10 were also in the lowest expenditure decile, many were higher in the distribution, including a quarter who were in the fifth expenditure decile or higher. This suggests that factors other than income, such as wealth, may be influencing consumption possibilities.

## 2. Persons in lowest equivalised disposable household income decile, by equivalised weekly expenditure decile - 2009-10

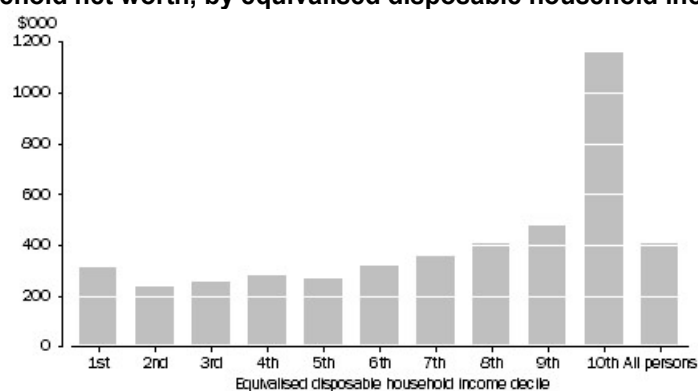


Sources: ABS Survey of Income and Housing; ABS Household Expenditure Survey

## Income and wealth

Graph 3 shows that the equivalised household net worth of persons in the first income decile was higher on average than the average equivalised household net worth of persons in deciles 2-5. The higher average net worth of persons in the lowest income decile partly explains the higher average expenditure of the lowest income decile.

## 3. Equivalised household net worth, by equivalised disposable household income decile - 2009-10

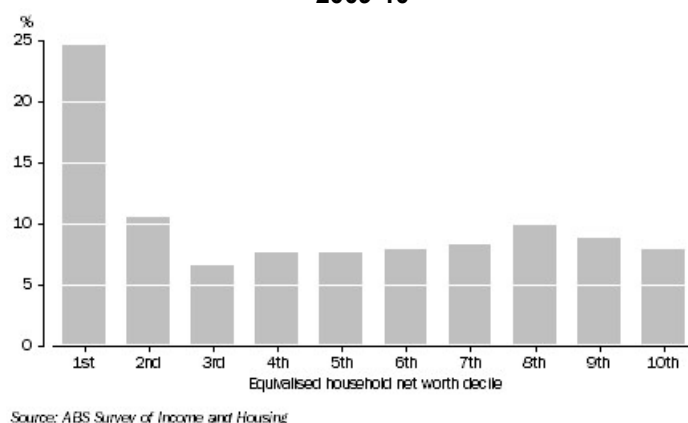


Sources: ABS Survey of Income and Housing; ABS Household Expenditure Survey

However within the lowest decile of income, there are large differences in household net worth. Graph 4 shows that while a quarter of persons in the lowest income decile were also in the lowest net worth decile, substantial proportions were in much higher wealth deciles, including more than 40% in the top five deciles. People with low income but high levels of net worth are unlikely to be at risk of experiencing economic hardship, despite their low current incomes.



#### 4. Persons in lowest equivalised disposable household income decile, by equivalised household net worth decile - 2009-10



The results observed for 2009-10 are consistent with the findings from previous similar studies, including those in *Appendix 4, The wealth and expenditure of low income households*, of the 2003-04 issue of this publication. As a result of observing that people in the lowest income decile have higher average expenditures than people in the second income decile, the ABS has adopted the practice of using the characteristics of persons in the second and third income deciles, being a more representative group, when describing the characteristics of low income people. This is not to suggest that some people in the lowest income decile may not be experiencing as much or greater economic hardship. Nearly a third of people in the lowest equivalised income decile were also in the lowest equivalised expenditure decile. One in four persons in the lowest equivalised income decile were also in the lowest equivalised wealth decile.

## HOUSEHOLD WEALTH

Household wealth is more unequally distributed than household income. People in the three lowest equivalised income deciles share 13% of all income, whilst people in the three lowest equivalised wealth deciles share only 3% of all wealth. People in the lowest household net worth decile had quite low average wealth compared to the population as a whole (\$7,800 compared to \$406,500). Persons with low reserves of wealth to fall back on may face financial difficulty in times of need, such as during any period of reduced income or due to any substantial unexpected costs.

### Wealth and expenditure

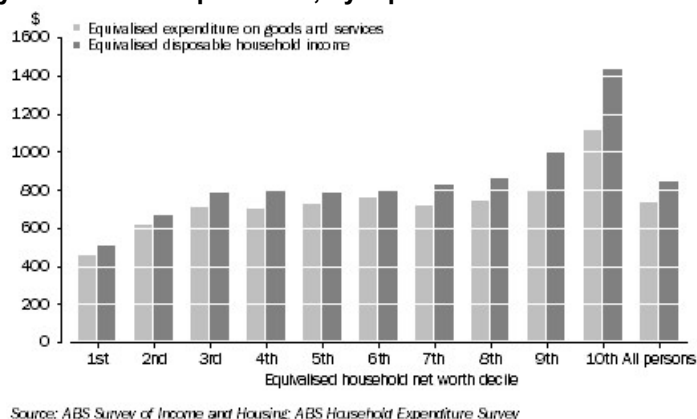
Graph 5 shows that, in 2009-10, people in the lowest equivalised household net worth decile had considerably lower average expenditures than people in any other wealth decile. Conversely, people in the highest equivalised household net worth decile had considerably higher average expenditure than people in any other wealth decile.

### Wealth and income

Graph 5 shows that the relationship between net worth decile and average income follows a similar pattern to that observed between net worth decile and equivalised expenditure. The equivalised incomes of people in the lowest wealth decile were \$512 per week, on average, rising to about \$800 per week for people in wealth deciles 3-7, and then rising again to more than \$1,400 per week for people in the highest wealth decile.

However, for net worth deciles 3-8, similar average equivalised expenditures were observed in each wealth decile.

#### 5. Equivalised weekly income and expenditure, by equivalised household net worth decile - 2009-10





## BROADER MEASURES

As previously discussed, the most comprehensive measures of income and expenditure are those that take into account the full redistributive effect of government social transfers in kind and taxes on production and consumption. These estimates will be available in mid 2012. However, the income and expenditure measures used so far in this article can be broadened further by including the net imputed rent of owner-occupiers and subsidised renters. Imputed rent estimates have been available separately for each SIH cycle from 2003-04. The inclusion of imputed rent in income allows the economic circumstances of home owners and renters to be more readily compared. It also allows for looking at changes over time as people change their tenures (through the life course as they age). Including imputed rent in the income measure (equivalised adjusted disposable household income, adjusted for imputed rent) generally results in home owners and subsidised renters moving up the income distribution relative to persons in other tenure and landlord types.

Graph 6 shows the effect of adding imputed rent to income on the relationship between income and net worth. Persons in the lowest decile of equivalised disposable household income have an average equivalised household net worth higher than the next four deciles of income (as shown in graph 3). However, when imputed rent is added to income, and the income deciles are recalculated based on the new measure, the equivalised household net worth of persons is lowest for people in the lowest two income deciles.

### 6. Equivalised household net worth, by income decile - before and after adjustment for imputed rent - 2009-10

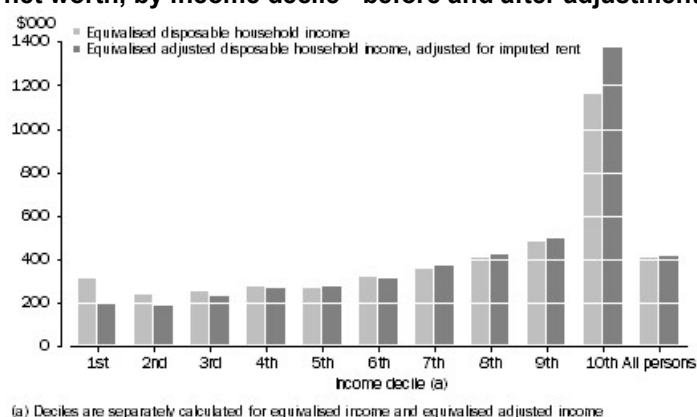


Table 7 illustrates the impact of including imputed rent on the average characteristics of persons in the lowest decile of income. In 2009-10, 70% of persons in the lowest decile of equivalised disposable household income were also in the lowest decile of equivalised adjusted disposable household income. Despite the overlap between the two groups, the reordering of people in the distribution with the inclusion of imputed rent changes the average characteristics of people in the lowest income decile.

### 7. Lowest income decile, before and after adjustment for imputed rent - 2009-10

Selected characteristics		Lowest income decile	
		Equivalised disposable household income	Equivalised adjusted disposable household income(a)
Mean equivalised disposable household income	\$	247	275
Mean equivalised adjusted disposable household income(a)	\$	330	292
Mean equivalised expenditure	\$	459	500
Mean equivalised household net worth	\$'000	309	203
Mean age of reference person	years	56.9	48.6
Owner without a mortgage	%	36.1	15.9
Couple or one parent family with dependent children, reference person aged 15-44	%	29.7	43.3
Lone person or couple, reference person aged 65 and over	%	22.8	8.9
Persons	'000	2 160	2 161

(a) Adjusted for imputed rent

In particular, the inclusion of imputed rent resulted in a relatively lower average age and a significantly lower equivalised net worth for people in the lowest income decile.

## Joint distributions



There are a number of ways to bring income and wealth data together to obtain measures of people's consumption possibilities. In this article, a *low economic resource* measure is used which includes people who are simultaneously in the lowest four deciles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth. When data about both income and wealth for households are available (in the 2003-04, 2005-06 and 2009-10 SIH), the *low economic resource* measure can be used. The strength of the *low economic resource* measure is that it excludes from the population of interest people with either relatively high incomes or relatively high wealth, and is therefore more likely to correctly classify people most likely to be at significant risk of experiencing economic hardship compared to measures using income or wealth alone. The *low economic resource* is a relative measure that classifies around 20% of the population to be in low income, low wealth households. The measure can be broadly contrasted with the 20% of the population in the lowest income and lowest wealth quintiles. However, the proportion of the population included in the *low economic resource* measure depends on the joint distribution of income and wealth, and may vary over time.

Table 8 shows the broad relationship between the **low income** (that is, the lowest equivalised adjusted disposable household income quintile), *low wealth* (that is, the lowest equivalised household net worth quintile) and *low economic resource* populations. It compares persons at different quintile locations in the income distribution with their corresponding location in the wealth distribution, and vice versa. Of the 20% of the population in the lowest income quintile (that is, the *low income* group), two-thirds were in the lowest two wealth quintiles - 44% in the lowest quintile and an additional 21% in the second quintile. However, a third of *low income* persons were in the third or higher wealth quintile. Similarly, more than two-thirds of persons in the lowest wealth quintile (that is, the *low wealth* group) were in the lowest two income quintiles, and nearly a third were in higher income quintiles.

#### 8. Persons in *low economic resource* households, by income and wealth quintile - 2009-10

	Equivalised adjusted disposable household income quintile(a)				All persons
	Q1	Q2	Q1-2	Q3-5	
PERCENT OF PERSONS					
Equivalised household net worth quintile					
Q1	8.7	5.1	13.8	6.2	20.0
Q2	4.1	4.7	8.9	11.1	20.0
Q1-2	12.8	9.8	(b)22.6	17.4	40.0
Q3-5	7.2	10.2	17.4	42.6	60.0
All persons	20.0	20.0	40.0	60.0	100.0

(a) Adjusted to include imputed rent

(b) The *low economic resource* population is shown at the intersection of the two lowest income and wealth quintiles

Table 9 presents mean income, wealth and expenditure estimates for persons living in *low economic resource* households, contrasted with those persons in the population living in households which satisfy only one of the necessary conditions (because of their higher income *or* wealth) and those that satisfy neither (because of their higher income *and* wealth).

#### 9. Persons in *low economic resource* households, Income, wealth and expenditure - 2009-10

		LOW ECONOMIC RESOURCE GROUP		NOT LOW ECONOMIC RESOURCE GROUP		All persons
		Low income and wealth(a)	Low wealth but not low income(b)	Low income but not low wealth(c)	Not low income and not low wealth(d)	
Mean weekly equivalised adjusted disposable household income(e)	\$	465	1 006	494	1 264	905
Mean equivalised household net worth	\$'000	54	83	436	714	407
Mean weekly equivalised adjusted goods and services expenditure(e)	\$	500	794	632	1 006	789
Persons	%	22.6	17.4	17.4	42.6	100.0

(a) Persons in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth



- (b) Persons in the lowest two quintiles of equivalised household net worth and the highest three quintiles of equivalised adjusted disposable household income (adjusted to include imputed rent)
- (c) Persons in the lowest two quintiles of equivalised adjusted disposable household income quintiles and the highest three quintiles of equivalised household net worth
- (d) Persons in the highest three quintiles of both income and net worth
- (e) Adjusted to include imputed rent

Table 9 highlights the importance of recognising wealth in determining the *low economic resources* group. For persons in households with low income but not low wealth, mean equivalised household net worth was eight times higher than for persons in the *low economic resources* group. Mean equivalised adjusted goods and services expenditure was also higher than for people in *low economic resource* households (26% higher, on average), indicating a relatively higher material standard of living for persons with low income but not low wealth.

For persons in households with low wealth but not low income, mean equivalised adjusted disposable household income was more than double that for persons in *low economic resource* households. For this group mean equivalised adjusted expenditure was, on average, 59% higher than for people in *low economic resource* households, again indicating a relatively higher material standard of living.

Table 10 shows average equivalised goods and services expenditure of persons in the lowest income and net worth quintiles (\$571 and \$560, respectively). The average expenditure for persons in the *low economic resource* households was only slightly lower at \$500 per week.

## 10. Equivalised adjusted weekly goods and services expenditure, by income and wealth quintile - 2009-10

Equivalised adjusted disposable household income quintile(a)					
	Q1	Q2	Q1-2	Q3-5	All persons
	\$	\$	\$	\$	\$
Equivalised adjusted goods and services expenditure(a)					
Equivalised household net worth quintile					
Q1	417	543	464	769	560
Q2	525	586	557	808	698
Q1-2	451	563	(b)500	794	628
Q3-5	611	646	632	1 006	894
<b>All persons</b>	511	607	559	945	789

(a) Adjusted to include imputed rent

(b) The *low economic resource* population is shown at the intersection of the two lowest income and wealth quintiles

## LOW ECONOMIC RESOURCE HOUSEHOLDS

### Household characteristics

Table 11 compares the household characteristics of persons living in households classified as *low income*, *low wealth*, and *low economic resources* (as previously defined).

In 2009-10, there were 4.9 million people in *low economic resource* households, that is 23% of all persons (compared with the 4.3 million people, or 20% of all persons, included in each of the *low income* or the *low wealth* groups).

As the *low economic resource* measure is a composite measure that identifies people in low income and low wealth households, it is not surprising that most of the characteristics of people in this group fall within the range between the characteristics of people in the low income and low wealth groups.

For example, the proportion of people whose main source of household income is government pensions and allowances is 44% in *low economic resource* households, compared with 57% in *low income* households and 39% in *low wealth* households. These differences are largely a result of the exclusion from the *low economic resource* group of many retired people with low incomes (e.g. aged pension), but with accumulated wealth, often in their own homes. Compared to the *low economic resource* group, people in the *low wealth* group are relatively younger, have a higher number of employed persons, and fewer low wealth households receive government pensions and allowances.

## 11. Persons in LOW ECONOMIC RESOURCE households, Selected characteristics - 2009-10

Low income(a) Low wealth(b) Low economic resource(c) All persons



Proportion of persons in households with characteristic					
Main source of household income					
Wage and salary	%	29.8	54.0	48.5	67.8
Own unincorporated business income	%	5.4	3.0	4.6	5.2
Government pensions and allowances	%	57.2	38.9	43.8	19.9
Other income	%	5.5	4.0	2.8	6.7
All persons(d)	%	100.0	100.0	100.0	100.0
Contribution of government pensions and allowances to gross household income					
Nil or less than 1%	%	14.9	27.4	13.3	42.5
1% to less than 20%	%	12.1	16.8	21.5	26.0
20% to less than 50%	%	16.1	17.3	22.1	11.8
50% to less than 90%	%	16.4	13.6	16.1	8.1
90% and over	%	40.4	24.8	27.1	11.6
All persons(d)	%	100.0	100.0	100.0	100.0
Tenure and landlord type					
Owner without a mortgage	%	21.5	*0.2	4.2	27.3
Owner with a mortgage	%	28.9	6.3	27.5	43.2
Renter					
State/territory housing authority	%	11.1	14.8	13.0	3.3
Private landlord	%	35.1	72.3	50.2	23.1
Total renters(e)	%	47.7	89.9	65.5	27.4
All persons(f)	%	100.0	100.0	100.0	100.0
Family composition of household					
One family households					
Couple family with dependent children	%	41.1	32.9	46.1	42.3
One parent family with dependent children	%	18.0	21.3	21.3	7.7
Couple only	%	17.7	11.3	7.7	20.4
Other one family households	%	5.6	9.7	7.1	13.3
Multiple family households	%	2.9	4.3	4.7	3.5
Non-family households					
Lone person	%	12.9	11.0	9.4	9.5
Group households	%	1.9	9.4	3.6	3.3
All persons	%	100.0	100.0	100.0	100.0
Household characteristics					
Average age of reference person	years	52	40	45	50
Average number in household					
Employed persons	no.	0.6	1.0	0.8	1.3
Pension and allowance recipients	no.	1.2	0.9	1.1	0.8
Persons					
Under 18 years	no.	0.8	0.8	1.1	0.6
18 to 64 years	no.	1.3	1.7	1.6	1.6
65 years and over	no.	0.4	0.1	0.2	0.3
Total	no.	2.5	2.6	2.9	2.6
Mean weekly income					
Equivalised disposable household income	\$	339	591	453	848
Equivalised adjusted disposable household income(g)	\$	371	611	465	905
Mean equivalised household net worth	\$'000	191	21	54	407
Mean weekly expenditure					
Equivalised goods and services expenditure	\$	480	539	489	732
Equivalised adjusted goods and services expenditure(g)	\$	511	560	500	789
Estimated population					
Households	'000	1 720	1 667	1 714	8 399
Persons	'000	4 318	4 322	4 888	21 589
	%	20.0	20.0	22.6	100.0

\* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) Persons in the lowest quintile of equivalised adjusted disposable household income (adjusted to include imputed rent)

(b) Persons in the lowest quintile of equivalised household net worth

(c) Persons in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth

(d) Includes households with nil or negative total income

(e) Includes other landlord types

(f) Includes other tenure types

(g) Adjusted to include imputed rent

There are differences in the tenure characteristics of people in the *low income* or *low wealth* groups and the *low economic resource* group. For the population as a whole, 70% of people live in households that own their own home (either with or without a mortgage). While 50% of people in *low income* households own their own home (with 60% paying a mortgage and 40% owning without a mortgage), only 7% of people in *low wealth* households and 32% of people in *low economic resource* households own their own home. The majority of people who own their own home without a mortgage have net worth that puts them above the levels that would place them in the *low wealth* or *low economic resource* groups.

Low economic resource households have, on average, more household members and more members aged under 18



than either the *low income* or *low wealth* groups, or the population as a whole.

One-parent families with dependent children are significantly over-represented in all of the low resource groups, compared with the population as a whole. On the other hand, couple families with dependent children account for about 42% of the general population, but 41% of people in the *low income* group, 33% of the *low wealth* group, and 46% of the *low economic resource* group.

People living in *low economic resource* households have, on average, considerably lower incomes, wealth and expenditures than the population as a whole (this group receives 51% of the national average income, 13% of the wealth and 63% of the average expenditure).

## Household expenditure

While information on people's economic resources (that is, their incomes and wealth) provides insight into their consumption possibilities, expenditure on goods and services provides insight into their actual consumption and material standard of living.

### 12. Persons in LOW ECONOMIC RESOURCE households, Household expenditure - 2009-10

		Low income(a)	Low wealth(b)	Low economic resource(c)	All persons
<b>Average equivalised weekly expenditure</b>					
Broad expenditure group					
Goods and services					
Current housing costs (selected dwelling)	\$	117	139	133	131
Domestic fuel and power	\$	17	15	17	19
Food and non-alcoholic beverages	\$	88	95	89	122
Alcoholic beverages	\$	9	16	10	19
Tobacco products	\$	7	11	10	7
Clothing and footwear	\$	15	19	16	27
Household furnishings and equipment	\$	20	18	16	34
Household services and operation	\$	29	31	29	41
Medical care and health expenses	\$	20	15	15	38
Transport	\$	62	68	62	115
Recreation	\$	52	59	50	95
Personal care	\$	8	10	8	14
Miscellaneous goods and services	\$	36	43	34	70
<b>Total goods and services expenditure</b>	\$	<b>480</b>	<b>539</b>	<b>489</b>	<b>732</b>
Total adjusted goods and services expenditure(d)	\$	511	560	500	789
Selected other payments					
Income tax	\$	11	64	31	157
Mortgage repayments - principal (selected dwelling)	\$	11	3	10	30
Superannuation and life insurance	\$	*10	7	4	41
<b>Proportion of total goods and services expenditure</b>					
Broad expenditure group					
Goods and services					
Current housing costs (selected dwelling)	%	24.4	25.8	27.2	17.9
Domestic fuel and power	%	3.5	2.8	3.4	2.6
Food and non-alcoholic beverages	%	18.3	17.7	18.2	16.7
Alcoholic beverages	%	1.8	3.0	2.0	2.6
Tobacco products	%	1.5	2.0	2.0	1.0
Clothing and footwear	%	3.1	3.6	3.3	3.7
Household furnishings and equipment	%	4.2	3.4	3.2	4.7
Household services and operation	%	6.0	5.7	6.0	5.6
Medical care and health expenses	%	4.3	2.7	3.1	5.2
Transport	%	12.9	12.6	12.8	15.6
Recreation	%	10.8	11.0	10.2	13.0
Personal care	%	1.6	1.8	1.6	1.9
Miscellaneous goods and services	%	7.5	7.9	7.0	9.6
<b>Total goods and services expenditure</b>	%	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) Persons in the lowest quintile of equivalised adjusted disposable household income (adjusted to include imputed rent)

(b) Persons in the lowest quintile of equivalised household net worth

(c) Persons in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth

(d) Adjusted to include imputed rent

Table 12 shows the equivalised expenditure on goods and services for broad expenditure groups, together with selected other payments, for the various low economic resource groups. The equivalised expenditure of people in *low economic resource* households was lower overall and for most expenditure categories, compared to the population as a whole. It



was substantially lower for food and non-alcoholic beverages; medical care and health expenses; transport; recreation; and miscellaneous goods and services.

Mean equivalised weekly expenditure on current housing costs was very similar for *low economic resource* households and for the population as a whole. However, for the *low economic resource* group, housing costs reflected a much higher proportion of their total expenditure (27%, compared with 18% for the whole population). People in the *low economic resource* group were far more likely to rent and less likely to own their home without a mortgage (66% of *low economic resource* persons were renting and 4% owned their home without a mortgage) compared with the population as a whole (27% of all persons were renting and 27% of all persons owned their home without a mortgage) (Table 11).

## Financial stress

The 2009-10 HES collected a range of financial stress indicators. These provide subjective measures of how households are coping financially. In the HES, one person in each household was asked to provide an assessment on a range of household indicators including present standard of living compared with two years ago, ability to raise money in an emergency, and a range of cash flow problems.

While people who are comparatively well off can also experience financial stress, particularly if they are over committed, and perceptions of stress can vary within a household, different rates of stress observed across groups can provide valuable additional insights into their relative material wellbeing.

Table 13 shows that while 86% of all households indicated they could raise \$2,000 in an emergency, only 57% of *low economic resource* households reported they would be able to do so. *Low economic resource* households were most likely to spend more money than came in (24% compared with 15% of all households), as well as being less likely to be able to save money most weeks (17% compared with 40% of all households). Thirty-nine percent of *low economic resource* households indicated that their finances were worse than they were two years previously, compared with 27% for the overall population.

**13. LOW ECONOMIC RESOURCE households, Financial stress indicators - 2009-10**

	Low income(a)	Low wealth(b)	Low economic resource(c)	All households
Percent of households				
Ability of household to raise emergency money				
Could raise \$2,000 within a week	67.5	59.2	56.7	85.6
Could not raise \$2,000 within a week	32.5	40.8	43.3	14.4
Total	100.0	100.0	100.0	100.0
Ability of household to save money				
Spend more money than we get	23.5	21.5	24.4	14.9
Just break even most weeks	55.1	55.7	58.2	45.0
Able to save money most weeks	21.4	22.8	17.4	40.2
Total	100.0	100.0	100.0	100.0
Household perception of finances over time				
Better than 2 years ago	18.7	31.1	25.3	28.8
The same as 2 years ago	41.5	31.0	35.2	43.0
Worse than 2 years ago	39.2	35.6	38.7	27.4
Total(d)	100.0	100.0	100.0	100.0
Cash flow problems over last 12 months				
Could not pay gas/electricity/telephone bill on time	23.0	29.9	31.0	12.5
Could not pay registration/insurance on time	9.5	11.8	12.3	5.0
Pawned or sold something	6.0	8.4	8.1	2.7
Unable to heat home	5.6	5.7	6.3	1.9
Went without meals	8.0	9.9	10.1	3.2
Sought financial help from friends/family	14.2	20.4	20.1	7.9
Sought assistance from welfare/community organisations	8.3	9.8	10.3	2.8
Missing out experiences over last 12 months				
Could not afford a holiday for at least one week a year	48.0	51.8	56.4	25.4
Could not afford a night out once a fortnight	38.1	34.9	41.3	19.0
Could not afford a special meal once a week	26.9	26.3	29.1	12.7
Could not afford friends or family over for a meal once a month	18.7	19.0	20.4	7.3
Could not afford brand new clothes	26.5	27.9	30.9	11.1
Could not afford leisure or hobby activities	26.6	27.0	30.5	11.0
Number of cash flow problems over past 12 months				
None	67.4	57.6	57.4	82.2
One	13.2	17.2	16.3	8.3
Two	7.9	10.3	11.4	4.7
Three	5.0	7.2	6.7	2.3
Four or more	6.5	7.7	8.2	2.4
Total	100.0	100.0	100.0	100.0
Number of missing out experiences over past 12 months				
None	40.4	37.4	31.3	65.3
One	15.4	18.4	18.1	13.4



Two	11.7	12.0	14.5	7.9
Three or more	32.5	32.1	36.2	13.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

- (a) Households in the lowest quintile of equivalised adjusted disposable household income (adjusted to include imputed rent)  
(b) Households in the lowest quintile of equivalised household net worth  
(c) Households in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth  
(d) Includes households where household composition could not be compared to two years ago  
Source: ABS Household Expenditure Survey

Households were asked questions about cash-flow issues (that is, inability to meet financial obligations such as paying a bill on time), and questions regarding 'missing out' experiences (that is, questions about participation in activities that involve some discretionary consumption, for example, having a night out once a fortnight).

Forty-three percent of *low economic resource* households reported one or more cash flow problems over the past 12 months, compared with only 18% for the population as a whole. The most common problem (reported by 31% of *low economic resource* households) was the inability to pay a utility bill on time.

Sixty-nine percent of *low economic resource* households reported one or more missing out experiences over the past 12 months, compared with 35% for the population as a whole. The most common missing out experience was the inability to afford a holiday for at least one week a year (56% of *low economic resource* households).

*Low economic resource* households reported a greater number of cash flow problems and missing out experiences compared with *low income* households.

Table 14 shows the most likely source of emergency money for those households that indicated they would be able to raise it. *Low economic resource* households who could raise the money were less likely to be able to raise the money from their own savings (48%) than for all households (72%). They were more likely to seek a loan from family and friends (30%) than were the population as a whole (10%). The *low income* group, recorded a higher use of their own savings in an emergency (61% compared with 48% for the *low economic resource* group), reflecting the existence of reserves of wealth for some households in this group.

#### 14. Households able to raise \$2,000 in an emergency, Most likely source of emergency money - 2009-10

	Low income(a)	Low wealth(b)	Low economic resource(c)	All households
Percent of households				
Own savings	61.2	48.9	47.7	72.1
Loan from a bank, building society or credit union	6.6	4.7	7.3	7.4
Loan on credit card	7.4	8.6	7.7	6.8
Loan from family or friends	18.0	31.2	30.3	10.5
Sell something	2.9	*2.8	*3.3	1.0
Other sources	3.5	*2.8	*2.8	2.0
<i>Total(d)</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

\* estimate has a relative standard error of 25% to 50% and should be used with caution

- (a) Households in the lowest quintile of equivalised adjusted disposable household income (adjusted to include imputed rent)  
(b) Households in the lowest quintile of equivalised household net worth  
(c) Households in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth  
(d) Includes loans from a finance company or welfare organisation

## CHANGES OVER TIME

Income, wealth, and expenditure data were collected together for the first time in the 2003-04 SIH and HES. Wealth and income data were also collected in the 2005-06 SIH. Although these surveys did not include the same individual households, each gives a representative snapshot of low economic resource households at the time of collection. Any household may, over time, move into or out of the definition of the *low economic resource* group, but comparisons over time can shed light on changes in the characteristics and circumstances of *low economic resource* households.

Table 15 compares the results obtained for the 2003-04, 2005-06 and 2009-10 surveys. Income definitions for 2003-04 and 2005-06 have been revised to reflect the measure used for 2009-10. All resource measures have been expressed in 2009-10 dollars using the CPI.

#### 15. Persons in LOW ECONOMIC RESOURCE households, Income, wealth and expenditure - 2003-04 to 2009-10(a)

Low economic resource(b)			All persons		
2003-04(c)	2005-06(c)	2009-10	2003-04(c)	2005-06(c)	2009-10



Weekly household income							
Mean equivalised disposable income	\$	367	400	453	674	738	848
Mean equivalised adjusted disposable income(d)	\$	385	411	465	717	780	905
Mean equivalised household net worth	\$	52	59	54	317	366	407
Weekly expenditure							
Mean equivalised goods and services expenditure	\$	420	..	489	634	..	732
Mean equivalised adjusted goods and services expenditure(d)	\$	439	..	500	677	..	789
Perception of household finances over time							
Better than 2 years ago	%	22.4	..	25.3	30.0	..	28.8
The same as 2 years ago	%	40.4	..	35.2	41.9	..	43.0
Worse than 2 years ago	%	36.2	..	38.7	27.0	..	27.4
Total	%	100.0	..	100.0	100.0	..	100.0
Estimated number in population							
Persons	'000	4 421	4 585	4 888	19 607	19 931	21 589
	%	22.5	23.0	22.6	100.0	100.0	100.0
Households	'000	1 613	1 713	1 699	7 736	7 926	8 399

.. not applicable

(a) Adjusted to 2009-10 dollars using the Consumer Price Index

(b) Persons in the lowest two quintiles of both equivalised adjusted disposable household income (adjusted to include imputed rent) and equivalised household net worth

(c) Estimates for 2003-04 and 2005-06 are not directly comparable with 2009-10 due to the improvements made to measuring income introduced in the 2007-08 cycle. Estimates for 2003-04 and 2005-06 have been recompiled to reflect the new treatment of income, where data are available to support this calculation

(d) Adjusted to include imputed rent

Mean equivalised adjusted disposable household income for persons in low economic resource households increased from \$385 in 2003-04 to \$465 in 2009-10, an \$80 or 21% increase in real income. Over the same time period, income for all persons increased \$188, from \$717 to \$905, a 26% increase. The increases for both groups were statistically significant.

In real terms, mean equivalised household net worth for persons in low economic resource households did not show a statistically significant change between 2003-04 (\$52,000) to 2009-10 (\$54,000). For all persons, mean equivalised household net worth increased from \$317,000 in 2003-04 to \$407,000 in 2009-10, a statistically significant increase of 28%. The gap in wealth between persons in *low economic resource* households and persons in all households grew larger, with equivalised household net worth for all persons being seven times that of persons in low economic resource households in 2009-10, compared with six times in 2003-04, on average.

Real weekly equivalised adjusted goods and services expenditure for persons in *low economic resource* households increased by \$61, or 14%, from \$439 to \$500, between 2003-04 and 2009-10. For all persons, adjusted expenditure increased \$112, or 17%, from \$677 to \$789. These increases were statistically significant for both groups.

Persons in *low economic resource* households were more likely than persons in all households to regard their standard of living as being worse than two years ago, and the difference between the *low economic resource* group and all persons was similar for this measure in both 2003-04 and 2009-10.

## CONCLUSION

People living in *low economic resource* households are of particular policy and research interest because of their greater potential risk of experiencing economic hardship. This article has shown that a *low economic resource measure*, combining both low income and low wealth, provides a more accurate representation of the population potentially at risk, than can be achieved by simply using low income or low wealth alone. However there are many other factors that need to be considered in determining whether individual people are actually experiencing economic hardship. It would be possible to refine the measure used in a number of ways, using additional information available in these datasets. For example, people living in households that report no financial stress could be excluded from the population of interest.

The income and expenditure (but not wealth) of *low economic resource* households have increased since 2003-04, the first year available for comparison, indicating an overall improvement in the consumption possibilities of these households. However, the mean income, wealth and expenditure measures for all persons between 2003-04 and 2009-10 in Australia showed greater improvement than for people in *low economic resource* households, suggesting a widening gap between the *low economic resource* group and the population average.

The SIH and HES confidentialised unit record files provide considerable scope for more expansive analysis of low economic resource households, including additional cross-classification of households and use of more complex statistical procedures. Data about income and wealth were collected in the 2003-04, 2005-06 and 2009-10 SIH, allowing for analysis of the joint distribution of these measures, as well as the classification of households into the *low economic*



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